UNITED STATES GOVERNMENT

Memorandum

TO : Acting Chief, Supply Division, OL   DATE: /2-28-73

FROM : Chief, Supply Management Branch, SD/OL

SUBJECT: Direct Funding Concept

1. I have many questions about the Direct Funding concept which seems to have the inside track with 12th floor officials. It would appear to place Logistics into a very minor role of materiel management if it were assigned responsibility only for items of common use; i.e., administrative supplies and equipment. Both in line items and dollar value of inventory, this represents a pretty small share of the pot.

2. I also wonder how Logistics would administer the issue of such items as electric typewriters. [Since the using component no longer would be responsible for budgeting for such an item, the constraint to order indiscriminately would be absent, and Logistics would issue on basis of availability only. It certainly can't police such requests]

3. I also have questions concerning the effect of Direct Funding on our GIMS II program. Will we be able to salvage any portion of ICS? Glenn is pessimistic about this possibility and feels we would have to start from scratch. I must admit I don't know the answer but believe we should pursue thoroughly before adopting a new system.

4. The recommendations of the PPA/PRA study group contain many generalities which should be investigated. Examples are:

> Direct Funding (paragraph 4) - "initial property accountability will be picked up by the requisitioning component in accordance with current FPA in-use accountability procedures." To the best of my knowledge, with exception of account 6805, in-use proper accountability has disappeared. Type II activities account for

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a dollar value of property, and line item identi-
fication is lost. An example of the problem in
this system is total inability to identify quantity
or dollar value of non-expendable property in use.
We can, after research, develop how many of an item
were issued, and who received them. But we have no
way of knowing what happened after the issue. To
ascertain the number of microform devices in use in
the Agency required that each component, both over-
seas and at Headquarters, conduct a physical inventory
and report such information back. This certainly is
not indicative of a sound, responsive inventory system.

5. The need to retain information on in-use property has
been proved by TSIPS program and by OC's similar program for
its high priced, sensitive items. The number of such programs
will probably increase, and the Agency's property management
system deteriorate to the early 1950's era when OSO, OC, and
OPC each had its own separate and distinct supply systems.

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I think a modified PPA/PRA System would be a wise move because I think the present PPA/PRA concept is good and with a little effort could be vastly improved. This would also allow us to retain our G/MS II program (if such exists).

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